

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-12 IO-14 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01
DOE-15 OIC-02 NSCE-00 SSO-00 ICAE-00 INRE-00 /130 R

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APPROVED BY EB/OT/STA:T O'HERRON
EUR/RPE - R LAMANTIA (SUBS)
EA/J - C MCDONALD (INFO)
EB/ITP - S AHMAD (SUBS)
TREASURY - M GADBAW
-----118813 252305Z /23

O R 252157Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS IMMEDIATE
INFO AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO

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USEEC ALSO FOR EMBASSY, USOECD ALSO FOR EMBASSY

E.O. 11652: N/A

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SUBJECT: TRIGGER PRICE MECHANISM: ADJUSTMENT OF WEST
COAST HANDLING CHARGES AND HEARING ON GREAT LAKES "TRIGGER
PRICES"

MISSION PLEASE PASS US DELEGATION TO BILATERAL
CONSULTATIONS

1. TREASURY DEPARTMENT ANNOUNCED MAY 25 ITS DECISION TO INCREASE HANDLING CHARGES USED TO CALCULATE WEST COAST TRIGGER PRICES BY SEVEN DOLLARS A TON, EFFECTIVE FOR SHIPMENTS EXPORTED ON OR AFTER MAY 31. THIS ADJUSTMENT IS NECESSARY TO REFLECT MORE ACCURATELY ACTUAL JAPANESE HANDLING COSTS. AT THE SAME TIME TREASURY INVITED COMMENT FROM INTERESTED PARTIES ON THE POSSIBLE TRADE DIVERSIONARY EFFECTS OF THE TPM IN THE GREAT LAKES. TREASURY IS CONSIDERING A POSSIBLE READJUSTMENT OF TWO TO TEN DOLLARS A METRIC TON IN THE GREAT LAKES FREIGHT RATES FOR CERTAIN PRODUCTS. REQUESTS FOR ORAL TESTIMONY WILL BE ACCEPTED UNTIL C.O.B. JUNE 8 AND WRITTEN SUBMISSIONS UNTIL C.O.B. JUNE 12. FEDERAL REGISTER NOTICE CONTAINING THESE ANNOUNCEMENTS WILL BE PUBLISHED WEEK OF MAY 29. FOLLOWING SUBSTANTIVE PORTIONS OF NOTICE MAY BE OF USE TO US DELEGATION AT PLENARY SESSION OF US/EC BILATERAL CONSULTATIONS.

2. BEGIN TEXT

NOTICE IS HEREBY GIVEN THAT THE HANDLING CHARGES USED TO CALCULATE TRIGGER PRICES OF STEEL MILL PRODUCTS ENTERING THROUGH WEST COAST PORTS WILL BE INCREASED TO 7 DOLS. PER METRIC TON, EFFECTIVE FOR SHIPMENTS EXPORTED ON OR AFTER MAY 31, 1978. IT HAS BEEN DETERMINED THAT THIS ADJUSTMENT IS NECESSARY TO REFLECT MORE ACCURATELY ACTUAL JAPANESE HANDLING COSTS.

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THE TREASURY DEPARTMENT IS ALSO HEREBY INVITING PUBLIC COMMENT ON ITS PROGRAM FOR MONITORING IMPORTS OF STEEL MILL PRODUCTS AS IT AFFECTS THE GREAT LAKES REGION. A HEARING WILL BE HELD TO CONSIDER ALLEGATIONS THAT A SECONDARY EFFECT OF THE TRIGGER PRICE MECHANISM HAS BEEN OR WILL BE TO DIVERT STEEL IMPORTS FROM GREAT LAKES TO EAST, WEST, AND GULF COAST PORTS. AS A RESULT OF ITS PRELIMINARY REVIEW OF THESE CLAIMS, THE TREASURY DEPARTMENT IS CONSIDERING AN ADJUSTMENT IN THE GREAT LAKES FREIGHT RATES USED TO CALCULATE TRIGGER PRICES FOR STEEL PLATE AND COLD AND HOT ROLLED SHEETS TO REFLECT MORE CLOSELY ACTUAL JAPANESE FREIGHT COSTS. THE HEARING WILL CONSIDER THESE PROPOSED ADJUSTMENTS, TOGETHER WITH OTHER PROPOSALS TO CORRECT THIS CLAIMED DIVERSIONARY EFFECT.

BACKGROUND: UNDER THE TRIGGER PRICE MECHANISM, IMPORT SPECIALISTS AT EVERY PORT OF ENTRY MONITOR THE PRICES OF ALL IMPORTED STEEL MILL PRODUCTS TO GATHER INFORMATION ON POSSIBLE SALES AT "LESS THAN FAIR VALUE" WITHIN THE MEANING OF THE ANTIDUMPING ACT. AS GUIDELINES FOR THE GATHERING OF SUCH INFORMATION, TRIGGER PRICES HAVE

BEEN CALCULATED FROM DATA ON THE COSTS OF PRODUCTION OF THE JAPANESE BASIC STEEL INDUSTRY. INFORMATION ON SALES BELOW TRIGGER PRICES IS FORWARDED TO CUSTOMS HEADQUARTERS IN WASHINGTON WHERE IT IS TABULATED AND COMPARED TO OTHER AVAILABLE DATA TO DETERMINE WHETHER AN ANTIDUMPING PROCEEDING SHOULD BE INITIATED. IF, AS A RESULT OF SUCH AN INVESTIGATION, SALES AT LESS THAN FAIR VALUE ARE FOUND BY THE TREASURY DEPARTMENT AND INJURY IS FOUND BY THE INTERNATIONAL TRADE COMMISSION, A DUMPING FINDING WILL BE MADE.

TRIGGER PRICES REFLECT THE JAPANESE COST OF PRODUCING STEEL MILL PRODUCTS PLUS THE COST OF TRANSPORTING SUCH PRODUCTS TO EACH OF THE FOUR MAJOR IMPORTING REGIONS: THE WEST COAST, GULF COAST, EAST COAST, AND GREAT LAKES.
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AS FREIGHT COSTS INCREASE, TRIGGER PRICES INCREASE. FOR EXAMPLE, THE CURRENT TRIGGER PRICES FOR COLD ROLLED

SHEET 1/ FOR EACH OF THE FOUR REGIONS ARE:

	BASE PRICE (DOLS)	CHARGES TO CIF FREIGHT (DOLS)	HANDLING (DOLS)	INTEREST (DOLS)	TOTAL (DOLS)
WEST COAST	297	23	3 2/	7	330
GULF COAST	297	23	5	8	333
EAST COAST	297	27	4	9	337
GREAT LAKES	297	35	4	11	347

IT IS ASSERTED THAT BOTH THE ABSOLUTE AND RELATIVE LEVEL OF THE TRIGGER PRICES FOR THE GREAT LAKES REGION WILL LEAD TO THE DIVERSION OF STEEL FROM THE GREAT LAKES TO WEST, GULF, AND EAST COAST PORTS. SERIOUS ECONOMIC DISLOCATIONS FOR THE GREAT LAKES REGION WOULD ALLEGEDLY FOLLOW FROM SUCH A DIVERSION, PARTICULARLY FOR THOSE LONGSHOREMEN, STEVEDORES, WAREHOUSEMEN, AND TERMINAL OPERATORS WHOSE WORK DEPENDS ON IMPORTED STEEL. MOREOVER, BACKHAUL CARGO, SUCH AS GRAIN, WOULD ALLEGEDLY BE DIVERTED TO OTHER COASTS. FINALLY, IT IS CLAIMED THAT THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION, WHOSE ANNUAL REVENUES ARE DEPENDENT ON STEEL IMPORTS, WILL SUFFER SUBSTANTIAL LOSSES.

A NUMBER OF PROPOSALS HAVE BEEN OFFERED TO CORRECT THIS ALLEGED ANOMALY:

1. EQUALIZE THE GREAT LAKES IMPORTATION CHARGES WITH THOSE OF THE EAST COAST.

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2. ADJUST THE TRIGGER PRICE IMPORTATION CHARGES TO REFLECT MORE CLOSELY ACTUAL FREIGHT DIFFERENTIALS FOR JAPANESE STEEL IMPORTS AS RECORDED IN OFFICIAL US CENSUS TABULATIONS.

3. ADJUST THE GREAT LAKES IMPORTATION CHARGES TO REFLECT THE LEAST COST ROUTE FOR THE JAPANESE, EVEN WHERE THAT INVOLVES AN INLAND ROUTE SUCH AS THE MISSISSIPPI RIVER.

THOSE WHO CONTEST THE NEED FOR ANY CHANGE IN THE CURRENT GREAT LAKES TRIGGER PRICES POINT OUT THAT THE TRIGGER PRICES WERE BASED UPON BOTH THE PRODUCTION COSTS AND THE TRANSPORTATION COSTS FOR THE JAPANESE. AS SUCH, THEY BEGIN FOOTNOTES.

1/ FOR THE THIRD QUARTER, TRIGGER PRICES ON THIS PRODUCT WILL BE INCREASED BY 5.5 PERCENT. (43 FR 20070)

2/ SUBJECT TO THE INCREASE ANNOUNCED IN THIS NOTICE. END FOOTNOTES.

PROVIDE APPROPRIATE GUIDELINES FOR THE TREASURY DEPARTMENT TO GATHER INFORMATION ON SALES WHICH WARRANT FURTHER SCRUTINY IN LIGHT OF THE FAIR VALUE STANDARD IN THE ANTI-DUMPING ACT. THE ANTIDUMPING ACT DOES NOT PERMIT EQUALIZING THE DIFFERENT FREIGHT COSTS ASSOCIATED WITH SHIPPING MERCHANDISE FROM THE COUNTRY OF EXPORT TO VARIOUS PARTS OF THE UNITED STATES. FOR EXAMPLE, IF THE WEST COAST TRIGGER PRICES WERE APPLIED ACROSS THE BOARD, THE TRIGGER PRICES WOULD PROVIDE A STANDARD FOR IDENTIFYING SALES AT POTENTIALLY LESS THAN FAIR VALUE ONLY AT WEST COAST PORTS. ON THE OTHER HAND, IF THE GREAT LAKES TRIGGER PRICES WERE APPLIED TO NATION-WIDE ENTRIES, THE TRIGGER PRICES WOULD IDENTIFY FAR TOO MANY SALES AS POTENTIALLY AT LESS THAN FAIR VALUE. UNDER THE ANTIDUMPING ACT JAPANESE SALES TO THE WEST COAST CAN PROPERLY BE MADE AT A LOWER PRICE THAN SALES TO THE GREAT LAKES.

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IT HAS ALSO BEEN POINTED OUT THAT THE ACTUAL EVIDENCE OF DIVERSION MAY BE DIFFICULT TO DOCUMENT. HOWEVER, IF THE DIVERSION HAS OCCURRED, OR WILL OCCUR, IT SHOULD BE EVIDENT FROM A VARIETY OF SOURCES. FOR EXAMPLE, GREAT LAKES GRAIN TRADE OFFSETS FREIGHT COSTS FOR IMPORTED STEEL INTO THE GREAT LAKES BY PROVIDING SHIPPERS WITH

A BACKHAUL CARGO. HAS THIS TRADE BEEN AFFECTED? HAVE SEAWAY TOLLS DECLINED? SINCE THE ST. LAWRENCE SEAWAY OPENED IN MID-APRIL, CLEAR EVIDENCE OF A SIGNIFICANT DIVERSIONARY EFFECT HAS NOT BEEN PRESENTED TO THE TREASURY DEPARTMENT.

THE TREASURY DEPARTMENT, IN COOPERATION WITH OFFICIALS OF THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION, HAS REVIEWED THE TRIGGER PRICE FREIGHT RATES IN LIGHT OF BUREAU OF THE CENSUS DATA CONCERNING ACTUAL SHIPMENTS TO THE GREAT LAKES IN 1977. FROM THIS REVIEW, IT APPEARS THAT ADJUSTMENTS IN SOME OF THE FREIGHT RATES MAY BE APPROPRIATE AS FOLLOWS:

GREAT LAKES	ADJUSTED GREAT LAKES.
TRIGGER PRICE	TRIGGER PRICE
FREIGHT RATE	FREIGHT RATE
(PER METRIC TON)	(PER METRIC TON)
(DOLS)	(DOLS)

STEEL PLATES	40	30 - 32
HOT ROLLED SHEETS	35	31 - 33
COLD ROLLED SHEETS	35	29 - 31

SUBJECT TO COMMENTS RECEIVED FROM THE PUBLIC, IT IS THE INTENTION OF THE TREASURY DEPARTMENT TO ADJUST THE GREAT UNCLASSIFIED

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LAKES FREIGHT RATES WITHIN THE RANGES INDICATED ABOVE AND TO APPLY THE ADJUSTED RATES TO TRIGGER PRICES FOR ALL SHIPMENTS TO THE GREAT LAKES EXPORTED ON OR AFTER JULY 1, 1978. END TEXT. CHRISTOPHER

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